



October 30, 2015

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Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: *Connect America Fund*, WC Docket No. 10-90

Dear Ms. Dortch:

On Wednesday, October 28, 2015, Jason Hendricks of the Range family of telecommunications companies (“Range”) in Wyoming and Montana; John Lundgren of the Volcano Communications Group (“Volcano”) in California; and Eric Keber and Gerry Duffy representing WTA – Advocates for Rural Broadband (“WTA”) met with Amy Bender, Senior Legal Advisor, Wireline to Commissioner Michael O’Rielly, to discuss their experience in serving rural areas and its relevance to universal service reform.

Messers. Hendricks and Lundgren each described their companies and the high-cost, sparsely populated rural areas that they serve. Both companies emphasized their efforts to deploy fiber optic facilities and to improve and extend the broadband services needed and wanted by their rural customers.

Whereas customer demand and other economic and social factors drive broadband investment decisions, uncertainty during recent years regarding the future of universal service revenue streams has affected business planning and lender interest with respect to broadband infrastructure investment by the two companies and other rural telephone carriers. Although they have been following recent efforts to develop a dual-path system of universal service support for rate-of-return carriers, they have not yet been able to determine accurately the likely impacts of the potential future support mechanisms upon their operations due to the number of significant details that remain unresolved.

With respect to the proposed voluntary Alternative Connect America Cost Model (“ACAM”) path under consideration, the companies expressed concerns regarding the general accuracy of the price cap-based model for rural companies. Range has reviewed the preliminary ACAM estimates and found that its Montana study area and one of its two Wyoming study areas would gain support, while its other Wyoming study area and those of most unrelated Wyoming rural telephone companies would lose support. Volcano’s California study area would lose a substantial amount of its existing support. In addition to questioning the basis and accuracy of these results, the companies noted their present inability to determine the amount of Model-based support they might receive and their associated build-out obligations. They recognized the possibility that the Commission might reduce the cap on ACAM support per location in order to adjust the new locations required to be served in response to possible reductions of Model-based support and indicated that this would reduce their ability to serve the remote, high-cost customers that most need universal service support. They also pointed out that many state universal service funds are tied to the existing federal High Cost Loop Support (“HCLS”) and

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Interstate Common Line Support (“ICLS”) mechanisms, such that shifts to Model-based support could mean loss of state support by some rural carriers.

The companies expressed concern that the proposed bifurcated rate-of-return path was being developed in a rapid and untested manner and could well entail a number of unforeseen consequences. They pointed particularly to the increased recordkeeping and accounting complexities and costs and the difficulties of accurately and equitably allocating investments and associated operating expenses. Mr. Lundgren described two recent occurrences involving substantial forest fire and thunderstorm damage to Volcano’s outside plant, and pointed out how the repair and replacement of such damaged facilities would complicate the allocation of “old” and “new” investment and operating expenses.

Finally, for both potential paths, the companies stated that a supported rural broadband speed of 10 Mbps down/1 Mbps up is not going to remain reasonably comparable to urban broadband speeds and applications for very long. Likewise, the Commission’s contemplated methods of eliminating or reducing support in areas with “unsubsidized competitors” appear to be based upon FCC Form 477 data that does not include the necessary information as to whether all locations within the relevant census blocks are served. The companies suggested that competitive overlap reductions of high-cost support apply only to new investment and that an “unsubsidized competitor” be required to provide service at the same broadband speed as the eligible telecommunications carrier (“ETC”) whose support it is seeking to have reduced or eliminated. The latter standard would eliminate potential situations where an ETC with a fiber network capable of providing virtually any bandwidth that its customers want in the present or future could be deprived of critical universal service support and even forced out of business by an entity that, even if it is actually able to provide 10/1 service today, is unlikely to be able to furnish significantly greater bandwidth either now or in the future.

Whatever high-cost support mechanisms the Commission ultimately adopts, the companies emphasized their urgent need for stability, predictability and sufficiency. Small RLECs and their lenders simply cannot undertake broadband infrastructure projects with 10-to-25 year useful lives and loan terms without reasonable certainty that there will be sufficient revenues to recover the costs and repay the loans.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceeding.

Respectfully submitted,

/s/ Gerard J. Duffy

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